

annual



MANITOBA TELEPHONE SYSTEM

1971-72



Each day, every day, skilled hands of System employees handled 23,000 requests for directory assistance, constructed 420 conductor miles of wire and buried cable, moved more than 54,000 long distance calls.



ANNUAL REPORT

for the fiscal year ended March 31, 1972

CONTENTS

Board and Executive	1
Highlights of the Report	2
Operating Graphs	3
The Year in Brief	4
Financial Statements	8
Ten Years of Progress	14

Manitoba Telephone System
489 Empress Street
Winnipeg, Manitoba
R3C 0A2

MANITOBA TELEPHONE SYSTEM

THE HONOURABLE PETER BURTONIAK

Minister of Highways

BOARD OF COMMISSIONERS

J. F. MILLS

Chairman and General Manager

G. R. FINES

N. E. RODGER

A. H. KIMAGOVICH

I. D. TURNBULL, M.L.A.

S. L. DAVIES, Q.C.

Secretary

EXECUTIVE OFFICERS

J. F. MILLS

Chairman and General Manager

J. FENTON

Assistant General Manager and
Manager of Operations and Engineering

ADMINISTRATIVE OFFICERS

S. G. ANDERSON

Director of System Planning

F. C. CAVERS

General Plant Manager

G. H. BACKHOUSE

General Commercial Manager

G. A. MUIR

Chief Engineer

J. K. BEATTY

General Counsel

R. B. ROSS

Architect and Superintendent of Buildings

J. W. BUTCHARD

Personnel and Public Relations Manager

R. C. VANNEVEL

Comptroller

S. N. WILLIAMS

General Traffic Manager

HIGHLIGHTS OF THE REPORT

EXPANSION OF SERVICES

- Telephones increased 21,149 to total 461,543
- Long distance calls increased 11.7 per cent to total 19.9 million
- Local calls increased to 1,073,505,485
- Dial offices established in eight communities
- More than 97 per cent of System telephones are automatic dial
- Six exchanges received Direct Distance Dialing

CONSTRUCTION TO MEET DEMAND

- 2,233 miles of wire and cable buried
- Long distance network expanded
- 231 rural lines established

FINANCIAL RESULTS

- Capital expenditures amounted to \$29,389,798
- Investment in telephone plant reached \$323,710,217
- Revenue increased 9.26 per cent to \$67,322,287
- Expenses increased 7.65 per cent to \$63,766,468
- Net Income amounted to \$3,555,819

OUTLOOK FOR THE COMING YEAR

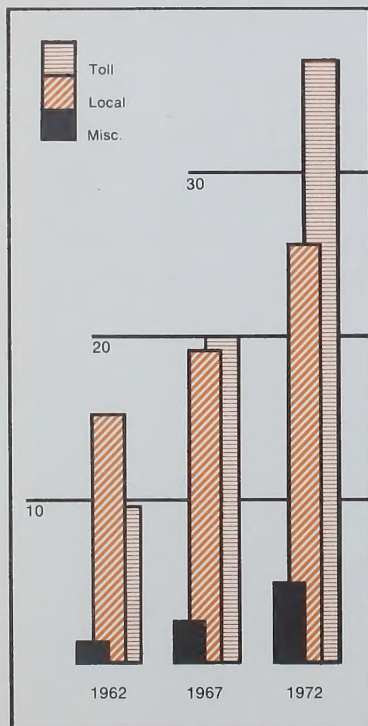
- Dial conversion and rural service improvement will continue
- 23,500 additional telephones forecasted
- Forecast capital expenditures of \$36,000,000

SUMMARY OF REVENUES AND EXPENSES

	April 1971 March 1972	April 1970 March 1971	Increase
REVENUES			
Local service	\$ 25,881,388	\$ 24,449,700	\$ 1,431,688
Toll service	36,728,565	33,467,140	3,261,425
Miscellaneous	5,051,331	3,990,275	1,061,056
	<u>67,661,284</u>	<u>61,907,115</u>	<u>5,754,169</u>
Less:			
Uncollectible			
operating revenues . . .	<u>338,997</u>	<u>289,975</u>	<u>49,022</u>
Total revenues	<u>67,322,287</u>	<u>61,617,140</u>	<u>5,705,147</u>
EXPENSES			
Operation	17,844,858	16,386,769	1,458,089
Maintenance	15,221,879	14,310,697	911,182
Depreciation	15,816,421	14,608,205	1,208,216
Operating taxes	1,355,656	1,246,809	108,847
Debt charges	13,527,654	12,685,150	842,504
Total expenses	<u>63,766,468</u>	<u>59,237,630</u>	<u>4,528,838</u>
NET INCOME	<u>\$ 3,555,819</u>	<u>\$ 2,379,510</u>	<u>\$ 1,176,309</u>

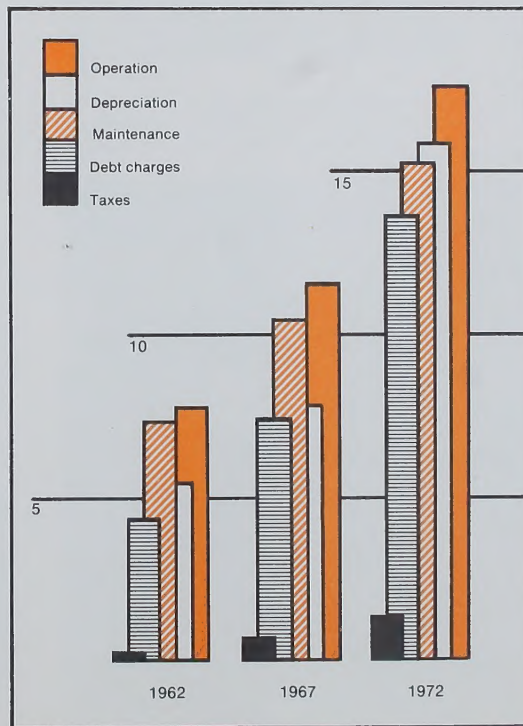
REVENUE

Millions of dollars



EXPENSES

Millions of dollars



PLANT

Millions of dollars



THE YEAR IN BRIEF

A year of unprecedented growth: that phrase best describes the year in review which saw a net gain of more than 21,000 telephones, thus surpassing the previous record year of 1960 by more than 800 telephones.

The System handled nearly 20 million long distance calls, while local calls climbed 70 million over the billion mark recorded last year.

Growth demands accounted for more than 63

per cent of a \$29.3 million construction program, the remainder being used for service improvement, modernization, and rehabilitation of plant. The value of telephone plant now stands at \$323 million.

Business customer requirements continued at a high level, both in volume and variety. Some of these were met by new service offerings introduced in Manitoba during the past year.

More facilities were provided to improve service in the North and further extensions were made to meet the needs of unserved areas.

FINANCIAL

Net income for the year was \$3,555,819, an increase of \$1,176,309 over the previous year. However, 38 per cent of this increase was due to an extraordinary gain of \$448,405 arising from the redemption of Bond Series 6A, B, and C, and attributable to the change in the Canadian dollar exchange rate for U.S. funds.

Revenue from all sources increased 9.26 per cent to reach a total of \$67,322,287, while expenses increased 7.65 per cent and totalled \$63,766,468.

This year long distance accounted for 54 per cent of total revenue. More than \$3.2 million of the total increase in revenue of \$5.7 million was due to long distance, thereby continuing to contribute very significantly to the favourable basic monthly telephone rate structure enjoyed by System customers.

Capital expenditures of \$29,389,798 were required to meet the high demand for local and long distance service and to effect service improvements. The total value of telephone plant rose to \$323,710,217. This represents an investment of \$701 for each telephone in service, compared with \$529 ten years ago.

The Long Term Debt of the System increased by almost \$13 million. A new \$20 million par value Bond Issue, Series 1N, with an interest rate of 7% per cent and maturing in 20 years, was fully subscribed. The proceeds of this bond issue were used to retire Bond Series 6A, B, and C, and short term debts; the remainder being applied to the System construction program.

To provide the additional facilities required to satisfy the steadily increasing demands for service as well as maintain service standards, much greater capital spending—both long and short term—will be required.

It is evident, despite the satisfactory results recorded this year, the costs associated with these demands will exert strong pressure on the System's ability to hold basic telephone rates at the present level.

Today's customer mobility contributed significantly to a new installation record.



THE NORTH

The System has met its objective to provide some form of toll service to all northern communities of 50 or more persons. Residents of 39 such areas now have a public radiotelephone link with the long distance network.

This microwave radio relay tower, part of the Thompson-Lynn Lake route, brings long distance telephone facilities to the new town of Leaf Rapids.



In addition to completing the above program, toll service was substantially improved for seven locations by the use of a new line-of-sight radio system. With access to the regular toll network and the appointment of Toll Agents, service is provided on a 24-hour basis. The Telephone Assistance Program was extended to 13 more communities during the year. This program is designed to assist and encourage outlying northern settlements to organize, operate and administer their own local communications systems as an interim step towards the provision of regular local telephone service.

The System provides technical assistance and all necessary equipment at no charge. To date some 1,400 telephones, together with asso-

ciated equipment including switchboards, have been supplied to the 29 participating communities.

Implementation of the program is co-ordinated through and with the co-operation of the Provincial Department of Northern Affairs.

Automatic dial service was established in the newly-created community of Leaf Rapids and at the Ruttan Lake mine site, with long distance service being provided by radio relay facilities to Lynn Lake.

Network television was made available to Wabowden last year as the result of an agreement with the Canadian Broadcasting Corporation which permitted a 'break-out' of the TV channel being carried on the Interlake microwave system.

The latest in telephone service went into a new subdivision which became a reality with the birth of the northern town of Leaf Rapids, 60 miles southeast of Lynn Lake.



LONG DISTANCE

Long distance calls rose 11.7 per cent and totalled 19.9 million—an average of more than 54,000 completed calls each day. Of these, 89.3 per cent were placed on the more economical station-to-station basis.

Today more than 84 per cent of System customers are able to dial their own station calls and 98 of every 100 calls they can make in this manner, are dialed direct.

More than 20,500 customers, representing six communities including the City of Brandon, were provided access to the Direct Distance Dialing network during the year.

To meet the continuing demands, more than 85,000 miles of long distance channels were added to the provincial toll network. A fifth radio channel, with an initial capacity of 1,200 circuits, was added to the Trans-Canada microwave route west to Regina and east to Thunder Bay.

It was also one of the most active years for interexchange voice transmission services, including the installation of 36 additional Wide Area Telephone Service lines. WATS service provides the customer with unlimited long distance calling, for a fixed monthly charge, to any one of seven progressively larger zones, the largest encompassing practically all Canada.

New services were introduced to meet the changing and often specialized requirements of business customers. Among these, terminal equipment known as Datacom 300, consisting of an electronic teleprinter, permits the customer to transmit and receive data at 100, 150, and 300 words per minute.

To further meet customer needs, a medium speed has now been added to the Multicom service announced last year. Multicom is a switched data communications service capable of transmitting information at speeds up to 60,000 words a minute on a "pay-as-you-use" basis.

The System is participating with other members of the Trans-Canada Telephone System in the

building of a nation-wide digital network to more adequately meet the fast-growing requirements of computer communications. Manitoba's portion of the initial phases of this project was completed during the year.

LOCAL SERVICE

The year saw a new record established with a net gain of 21,149 telephones—over 800 more than the previous highest year. Of these,

14,445 were installed in Winnipeg and 6,704 in the provincial areas. The System now serves 461,543 telephones.

It is worth noting that present-day customer mobility accounts for a significant portion of the System's day-to-day work load. To meet customer requirements 105,981 telephones were disconnected and 127,130 telephones connected; in other words, the System had to install six telephones to realize a net gain of one.

Automatic telephone service was provided to eight additional provincial communities. Receive-

More than 84 per cent of System customers have access to the Direct Distance Dialing network.



ing this service were the 2,500 customers in Elm Creek, McAuley, Ashern, Darlingford, Steep Rock, Leaf Rapids, Foxwarren and Binscarth. The System constructed 231 additional lines in its continuing effort to reduce the number of customers sharing rural party lines. Some 2,200 customers benefited as a result of these projects.

Following its policy of using buried facilities wherever practical, the System laid 2,233 miles of buried wire and cable during the year to meet both growth and rehabilitation needs.

Business service demands maintained a high level throughout the year; the marked trend towards more sophisticated equipment such as key telephone systems and speakerphones continued. A total of 105 dial private branch exchanges were installed and substantial extensions were made to existing installations for 12 major users.

SERVICE IMPROVEMENT

Two major changes were made in organization and methods during the year to improve customer service in the Winnipeg area.

One of these, keyed towards faster and more efficient repair service, was brought about by the consolidation of the Winnipeg Service Centres and the introduction of Automatic Call Distributor equipment which forwards calls in the order of their arrival to the Repair Service staff. This streamlined operation, which includes improved dispatching methods, will facilitate the service, particularly in trouble calling peaks.

Re-organization of the Winnipeg Business Office into business and residence units will expedite the handling of customer contacts and better serve the day-to-day essentially different needs of business and residence customers. These changes, designed to promote closer association with individual customer accounts, are a major step towards the "one-stop shop" type of operation intended to eliminate referral of the customer to other sections to deal with

various aspects of the account.

In a continuing effort to help business customers make the most efficient use of their telephone service, the System's highly-trained team of Service Advisors conducted more than 2,600 visits to business premises during the year. In addition, more than 1,600 employees of these customers received training in a wide variety of telephone services.

COMMUNITY ACTIVITIES

As a corporate member of the community it serves, the System makes several informational and educational programs available to schools, youth groups and various other organizations within the province.

Last year 240 elementary schools used the Telezonia program to train and instruct more than 25,000 pupils in the proper and courteous use of the telephone, including the placing of emergency calls.

Nearly 1,000 high school students participated in a program known as Cardiac—Cardboard Illustrative Aid to Computation—designed to give a basic understanding of the functioning of computers. Student aids consist of an instruction manual and a hand-operated cardboard computer model.

System films on communications and related subjects were seen by more than 107,000 persons throughout the province during the year, while more than 3,300 young people attended lecture-demonstrations on Communications and the Telephone at the System's Administration building.

More than 100,000 personal contacts were made with visitors to display booths at seven major exhibits. The System's communications display trailer attracted more than 28,000 persons during visits to 36 communities in Manitoba. The trailer depicts Manitoba's historical and modern communications story from 1878 to the present.

THE YEAR AHEAD

Another record year of development is indicated with a forecast capital expenditure of \$36 million. A substantial part, \$16.5 million, of the funds required to carry out this construction program in the coming fiscal year, will be derived from internal sources. The balance, \$19.5 million, will be borrowed.

Growth and service improvement in urban and rural areas throughout the province will require approximately \$9.4 million. This will provide for an estimated 6,500 additional telephones, further up-grading of multi-party line service, and making dial service available to some 2,800 existing customers.

Approximately \$18.1 million will be needed to meet a forecast growth of some 17,000 more telephones in Winnipeg, as well as the increasing service requirements of the city's business and residence customers.

Another 10,000 customers, principally those of The Pas and Dauphin, will be added to the Direct Distance Dialing network.

Present plans call for the extension of the Telephone Assistance Program to Easterville and Little Grand Rapids during the year.

Radio relay facilities from Thompson to Lynn Lake are scheduled to be in service by mid-1973. This microwave system will provide increased capacity for long distance service to Lynn Lake and Leaf Rapids and, under arrangements with the Canadian Broadcasting Corporation, will carry network television to Lynn Lake. Subject to CBC receiving approval from the Federal licensing authority, it is expected that similar services will become available to Leaf Rapids and Nelson House during the summer of 1973 and to Norway House and Cross Lake by late 1973.

Extended Area Service is the name commonly used in the industry to describe a form of local service which embraces two or more exchanges.

Continued on page 13

MANITOBA TELEPHONE SYSTEM

BALANCE SHEET AND FINANCIAL STATEMENTS

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1972.

	1972	1971
OPERATING REVENUES		
Local service	\$ 25,881,388	\$ 24,449,700
Toll service	36,728,565	33,467,140
Miscellaneous (note 1)	2,661,580	2,469,741
	<u>65,271,533</u>	<u>60,386,581</u>
Less: Uncollectible operating revenues	338,997	289,975
	<u>64,932,536</u>	<u>60,096,606</u>
 OPERATING EXPENSES		
Maintenance	15,221,879	14,310,697
Depreciation (note 2)	15,816,421	14,608,205
Traffic (note 3)	6,311,614	5,938,496
Commercial and marketing	4,602,661	4,188,382
General and administration (note 4)	6,930,583	6,259,891
Operating taxes (note 5)	1,355,656	1,246,809
	<u>50,238,814</u>	<u>46,552,480</u>
 NET OPERATING INCOME	<u>14,693,722</u>	<u>13,544,126</u>
 OTHER INCOME		
Interest and miscellaneous (note 6)	2,389,751	1,520,534
	<u>17,083,473</u>	<u>15,064,660</u>
 INCOME BEFORE DEBT CHARGES		
 DEBT CHARGES		
Interest	13,007,722	12,155,274
Amortization of bond discount and expense	290,307	319,001
Other fixed charges (note 7)	229,625	210,875
	<u>13,527,654</u>	<u>12,685,150</u>
 NET INCOME	<u>\$ 3,555,819</u>	<u>\$ 2,379,510</u>

BALANCE SHEET at March 31, 1972
with comparative figures for 1971

ASSETS

	1972	1971
TELEPHONE PROPERTY		
Plant and equipment (note 8)	\$323,710,217	\$301,536,124
Less: Accumulated depreciation	99,418,288	89,980,582
	<u>224,291,929</u>	<u>211,555,542</u>
 INVESTMENTS		
Securities and cash held by the Minister of Finance		
Sinking fund (schedule A) (note 9)	16,563,122	16,355,822
Reserve fund (available on demand) (schedule B)	3,034,370	3,034,370
	<u>19,597,492</u>	<u>19,390,192</u>
Telesat Canada (note 10)	999,000	333,000
	<u>20,596,492</u>	<u>19,723,192</u>
 CURRENT ASSETS		
Cash and temporary cash investments (note 11)	4,235,307	2,606,264
Accounts receivable	8,159,936	6,913,500
Material and supplies—at cost	3,787,566	3,323,490
Prepayments	559,243	539,574
	<u>16,742,052</u>	<u>13,382,828</u>
 DEFERRED CHARGES		
Unamortized discount and expense on		
long term debt	2,568,668	2,454,658
Other deferred charges (note 12)	334,044	492,695
	<u>2,902,712</u>	<u>2,947,353</u>
	<u>\$264,533,185</u>	<u>\$247,608,915</u>

Approved on behalf of the Board:



Chairman & General Manager

CAPITAL EMPLOYED AND LIABILITIES

	1972	1971
CAPITAL EMPLOYED		
Retained earnings invested in plant	\$ 28,288,759	\$ 26,288,759
Unappropriated retained earnings	5,119,129	4,852,810
Contingency reserves (schedule C)	359,799	398,611
Rate stabilization reserve (schedule D)	<u>3,263,200</u>	<u>3,263,200</u>
	<u>37,030,887</u>	<u>34,803,380</u>
 LONG TERM DEBT		
Province of Manitoba advances (Schedule E) . . .	48,700,000	55,727,027
Bonds payable (schedule F)	<u>169,579,709</u>	<u>149,579,709</u>
	<u>218,279,709</u>	<u>205,306,736</u>
 CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 13)	5,791,398	4,555,009
Advance billings and payments	991,293	1,036,795
Accrued interest	<u>2,439,898</u>	<u>1,906,995</u>
	<u>9,222,589</u>	<u>7,498,799</u>
	 <u><u>\$264,533,185</u></u>	 <u><u>\$247,608,915</u></u>

August Macovick

Commissioner

STATEMENT OF UNAPPROPRIATED RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 1972

	1972	1971
BALANCE AT BEGINNING OF YEAR	\$ 4,852,810	\$ 4,473,300
ADDITIONS		
Net income for year	<u>3,555,819</u>	<u>2,379,510</u>
	<u>8,408,629</u>	<u>6,852,810</u>
DEDUCTIONS		
Transfer to retained earnings invested in plant	<u>2,000,000</u>	<u>2,000,000</u>
Adjustments to prior years—Accrued vacations (note 13)	<u>1,289,500</u>	<u>—</u>
	<u>3,289,500</u>	<u>2,000,000</u>
BALANCE AT END OF YEAR	<u><u>\$ 5,119,129</u></u>	<u><u>\$ 4,852,810</u></u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED MARCH 31, 1972

	1972	1971
SOURCE OF FUNDS		
Net income for year	\$ 3,555,819	\$ 2,379,510
Depreciation and amortization	16,551,278	15,492,076
Net recovery from telephone property retired	388,123	1,786,335
Deferred and miscellaneous items	<u>119,838</u>	<u>67,887</u>
Total from operations	<u>20,615,058</u>	<u>19,725,808</u>
Net proceeds from sale of bonds	<u>19,600,000</u>	<u>14,887,500</u>
	<u><u>\$40,215,058</u></u>	<u><u>\$34,613,308</u></u>
 APPLICATION OF FUNDS		
Government advances repaid	\$ 7,027,027	\$ —
Less: Portion from sinking fund	<u>2,600,000</u>	<u>—</u>
	<u>4,427,027</u>	<u>—</u>
Notes redeemed	—	2,000,000
Gross additions to plant	29,389,798	27,816,999
Contributions to sinking fund	2,807,300	2,651,251
Purchase of Telesat Canada shares	666,000	333,000
Adjustments to prior years	<u>1,289,500</u>	<u>—</u>
Increase in working capital	<u>1,635,433</u>	<u>1,812,058</u>
	<u><u>\$40,215,058</u></u>	<u><u>\$34,613,308</u></u>

AUDITOR'S REPORT

To the Commissioners,
The Manitoba Telephone System,
Winnipeg, Manitoba

We have examined the balance sheet of the Manitoba Telephone System as at March 31, 1972 and the statements of income, unappropriated retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the System as at March 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles. These principles have been applied on a basis consistent with that of the preceding year, except for the recording of accrued vacations explained in Note 13 to the financial statements.

 C.A.
Provincial Auditor

Winnipeg, Manitoba
July 31, 1972

SCHEDULE OF INVESTMENTS

	1972	1971
(A) SINKING FUND		
Bonds—at cost		
Government of Canada	\$ 374,000	\$ 374,000
Province of Manitoba	1,908,991	1,908,991
Other—guaranteed by the Province of Manitoba	7,696,752	4,108,000
	<u>9,979,743</u>	<u>6,390,991</u>
Cash on deposit with the Minister of Finance	130,460	1,808,837
Amount included with the Province of Manitoba sinking fund	6,452,919	8,155,994
	<u>\$16,563,122</u>	<u>\$16,355,822</u>
(B) RESERVE FUND		
Bonds—at cost		
Government of Canada	\$ 2,485,275	\$ 2,485,275
Province of Manitoba	402,345	402,345
Other—guaranteed by the Province of Manitoba	146,750	146,750
	<u>\$ 3,034,370</u>	<u>\$ 3,034,370</u>

SCHEDULE OF RESERVES

	1972	1971
(C) CONTINGENCY RESERVES		
Balance at beginning of year	\$ 398,611	\$ 429,159
Add:		
Retired employees' contributions to death benefit plan	1,358	1,493
	<u>399,969</u>	<u>430,652</u>
Deduct:		
Self insured losses	18,170	17,541
Payments on death benefit claims	22,000	14,500
	<u>40,170</u>	<u>32,041</u>
Balance at end of year	<u>\$ 359,799</u>	<u>\$ 398,611</u>

(D) RATE STABILIZATION RESERVE

Balance (unchanged during year) . . .	<u>\$ 3,263,200</u>	<u>\$ 3,263,200</u>
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SCHEDULE OF LONG TERM DEBT

	1972	1971
(E) PROVINCE OF MANITOBA ADVANCES		
Represented by the following debenture debt of the Province of Manitoba		
Series 6A 3½% due June 15, 1971 (a) \$	—	\$ 3,500,000
Series 6B 3½% due September 1, 1971 (a)	—	1,000,000
Series 6C 3½% due September 15, 1971 (a)	—	2,000,000
Series 6L 3¼% due October 1, 1975	6,000,000	6,000,000
Series 6P 4¼% due December 15, 1976	4,500,000	4,500,000
Series 6M 3½% due March 15, 1978	7,100,000	7,100,000
Series 7P 6% due December 1, 1979	4,600,000	4,600,000
Centennial Series 8½% due June 1, 1980 (b)	15,000,000	15,000,000
Series 8G 5¼% due January 15, 1981	11,500,000	11,500,000
United States exchange adjustment	—	527,027
	<u>\$ 48,700,000</u>	<u>\$ 55,727,027</u>

(F) BONDS PAYABLE

Debentures issued by the System fully guaranteed
by the Province of Manitoba

Series 1H 7¼% due February 15, 1974 (c) \$	17,500,000	\$ 17,500,000
Series 1K 8% due September 15, 1974 (d)	17,000,000	17,000,000
Series 1A 5½% due February 1, 1982	20,000,000	20,000,000
Series 1B 5½% due November 15, 1983	15,000,000	15,000,000
Series 1D 5¼% due December 1, 1984	12,000,000	12,000,000
Series 1C 5½% due December 2, 1986	12,500,000	12,500,000
Series 1E 5% due January 15, 1991 (a)	14,500,000	14,500,000
Series 1N 7¼% due November 15, 1991	20,000,000	—
Series 1F 6¼% due December 1, 1991	20,000,000	20,000,000
Series 1G 7% due February 15, 1993	20,000,000	20,000,000
Exchange premium at time of issue on bonds payable in United States dollars	1,079,709	1,079,709
	<u>\$169,579,709</u>	<u>\$149,579,709</u>

(a) Payable in United States dollars

(b) Redeemable at the option of the holder

(c) Exchangeable at holder's option prior to August 15, 1973 for 7¼% Series 1J bonds maturing February 15, 1989

(d) Exchangeable at holder's option prior to March 15, 1974 for 8% Series 1M bonds maturing September 15, 1989

NOTES TO FINANCIAL STATEMENTS

1. MISCELLANEOUS OPERATING REVENUE

Principally directory advertising, rentals and attachments to System property.

2. DEPRECIATION

The amortization of the cost of telephone plant over its useful life on a straight line basis.

3. TRAFFIC

Expenses, principally operators' wages, incurred in handling telephone calls.

4. GENERAL AND ADMINISTRATION

General office salaries and expenses, rental of circuits and facilities, pension, insurance and other general expenses.

5. OPERATING TAXES

Grants to municipalities in lieu of property taxes, System's portion of Canada Pension Plan and Unemployment Insurance and other general levies.

6. INTEREST AND MISCELLANEOUS

Principally interest earned on investments and interest charged construction. Included in the 1972 fiscal year is an exchange gain of \$448,405 arising from the redemption of bond series 6A, B and C. These bonds were issued on the U.S. Market at a par value of \$6,500,000 and were recorded on the books of the Corporation at a Canadian dollar equivalent of \$7,027,027. At time of redemption, the Canadian dollar value of these bonds was \$6,578,622.

7. OTHER FIXED CHARGES

Payment to the Province re services and guarantees extended for the System's long term borrowing.

8. PLANT AND EQUIPMENT

With minor exceptions, telephone property is stated at cost to the System. Values, by major classes of plant, at March 31st:

	1972	1971
Land, buildings and towers	\$ 29,097,626	\$ 27,972,995
Central office switching equipment	119,718,770	109,535,385
Telephones, switchboards, etc.	52,625,976	48,513,183
Aerial cable, wire and poles	41,266,236	41,649,163
Underground cable, wire and conduit,	67,864,919	62,091,879
Vehicles, equipment and furniture	6,308,516	6,059,459
Plant under construction	6,828,174	5,714,060
	<u>\$323,710,217</u>	<u>\$301,536,124</u>

9. SINKING FUND

The sinking fund is established under requirements of the Manitoba Telephone Act. The System is obligated to pay annually to the Minister of Finance, as trustee for the fund, an amount not less than 1% of the long term debt outstanding at the end of the preceding fiscal year and 4% on the sinking fund balance at the end of the preceding fiscal year.

10. TELESAT CANADA

99,900 common shares, no par value, of Telesat Canada at the issue price of \$10 each. 66,600 of these shares were purchased during the 1971-72 fiscal year completing acquisition of the System's allotment in the initial financing of the Canadian domestic satellite corporation.

11. CASH AND TEMPORARY CASH INVESTMENTS

	1972	1971
Cash in banks, net of outstanding cheques	\$ (1,464,693)	\$ 106,264
Cash on deposit with the Minister of Finance, interest bearing	5,700,000	2,500,000
	<u>\$ 4,235,307</u>	<u>\$ 2,606,264</u>

12. OTHER DEFERRED CHARGES

Principally engineering costs associated with projects in the planning stage.

13. ACCRUED VACATION LIABILITY

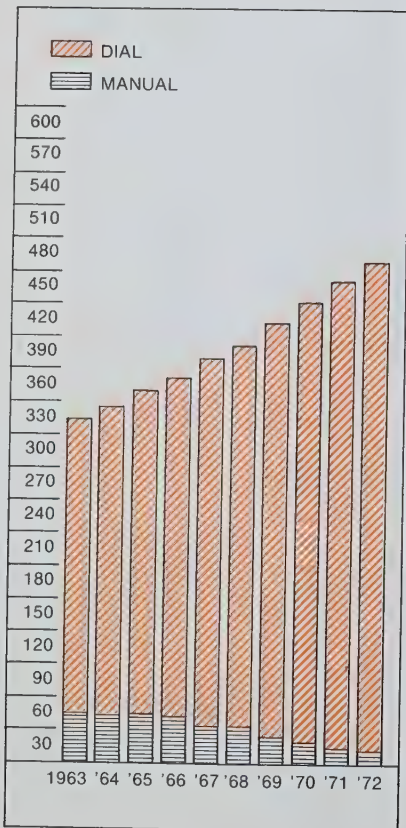
Prior to the current fiscal year, vacation costs were recorded in the accounts in the year that vacations were taken and no provision was made for vacations earned by employees but not yet taken. This liability, amounting to \$1,663,400 has been included in the balance shown for Accounts Payable and Accrued Liabilities as at March 31, 1972. The charge to Unappropriated Retained Earnings of \$1,289,500 represents a similar liability as at March 31, 1971 and applicable to prior years' operations.

14. COMMITMENTS

Approximate total commitments at March 31, 1972, principally relating to purchase of equipment for future delivery and uncompleted contracts, were \$18,000,000.

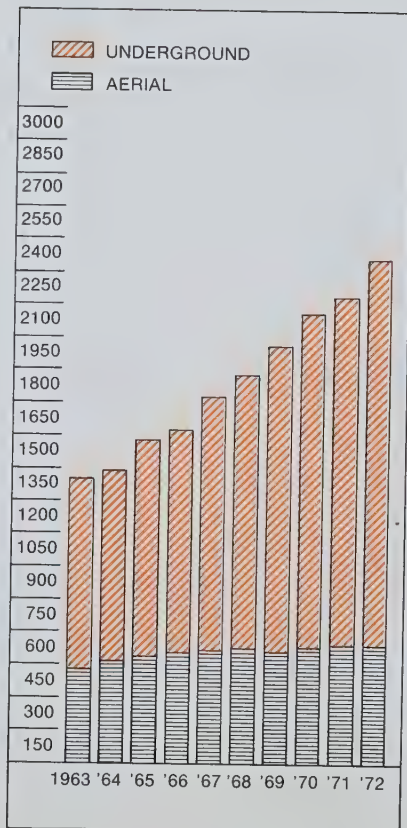
TELEPHONES

In thousands of telephones



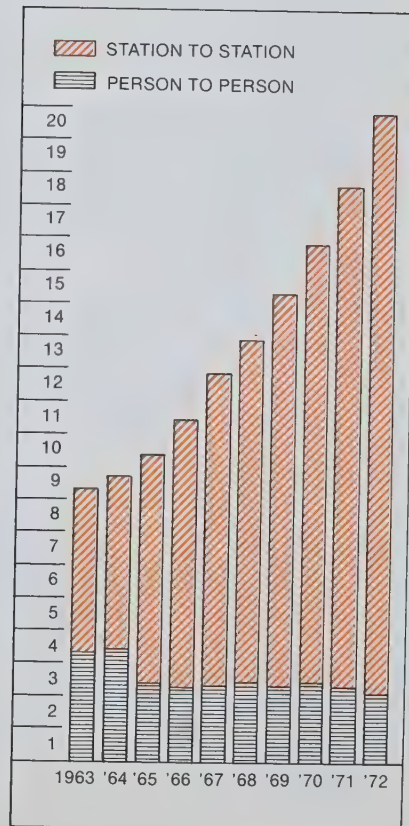
WIRE & CABLE FACILITIES

In thousands of conductor miles



LONG DISTANCE MESSAGES

In millions of messages



Continued from page 7

In recent years, increased mobility and other changes in society's pattern of living have brought about a close community of interest between neighbouring towns and with it a sustained demand for this type of service.

The System has reviewed the socio-economic and value of service aspects of an expanded Extended Area Service program, to determine the best means to satisfy these demands. A province-wide customer survey using recognized random selection methods, formed an important part of the study.

Results of the survey are now being analyzed with a view to developing recommendations that will prove acceptable to customers, the System and its regulatory body; also to establish a uniform method of providing the service, at approved rates, so that it may be either customer or System initiated. It is anticipated submissions based on these recommendations, will be made to the Public Utilities Board during the coming year.

ACKNOWLEDGEMENTS

The System wishes to record its sincere appreciation of the interest shown in its affairs by the Honourable Peter Burniak, Minister of Highways, responsible for the System.

This report reflects the skill and dedication of the more than 4,000 System employees, and is continuing evidence of their ability to skillfully perform their work and their willingness to serve the people of Manitoba.

New services were introduced to meet the changing and often specialized requirements of business customers (above left).

Thousands of Manitobans discovered their telephone past—along with the present and future—as the System's display trailer visited various communities (above right).

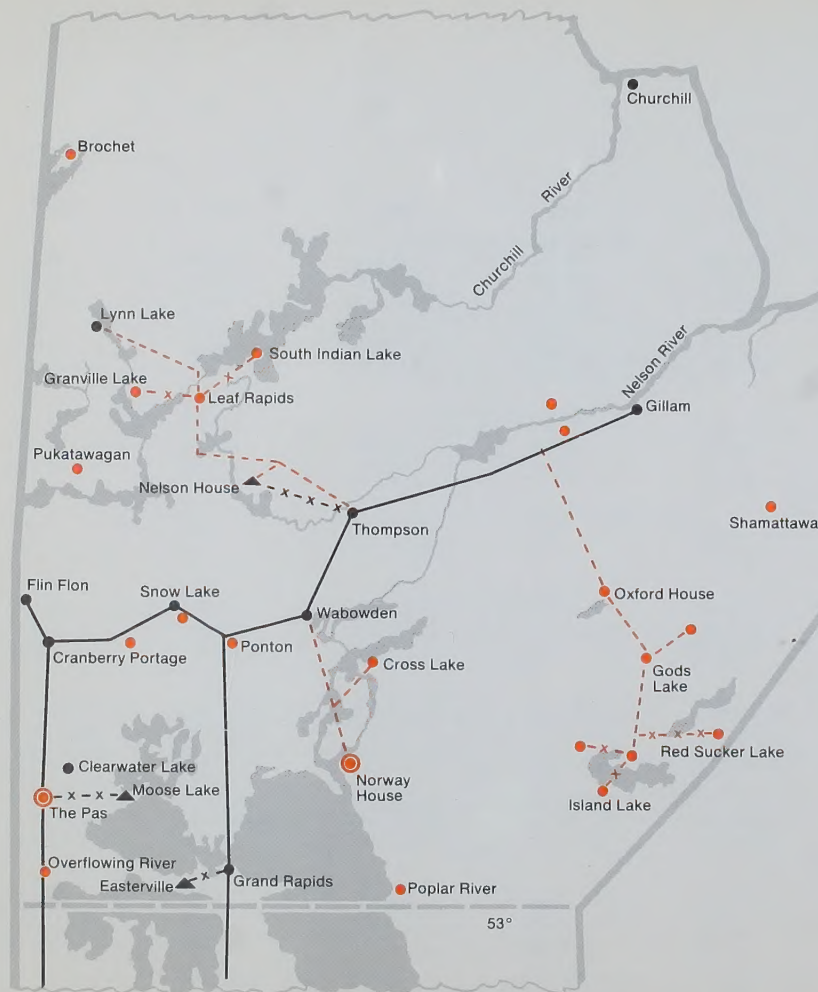
The laser and its future role in communications is one of the educational demonstrations on Communications and the Telephone seen by some 3,300 youngsters (bottom).



TEN YEARS OF PROGRESS

	1972	1971
NUMBER OF TELEPHONES		
Business	130,754	124,899
Residence	330,789	315,495
TOTAL SYSTEM OWNED	461,543	440,394
Per Cent Dial of System Owned	97.3	96.7
Private Line and Service Stations in Manitoba	2,536	2,220
TOTAL TELEPHONES IN MANITOBA	464,079	442,614
TELEPHONE MOVEMENT		
Connected	127,130	114,369
Disconnected	105,981	94,481
Increase	21,149	19,888
NUMBER OF CENTRAL OFFICES		
Exchange	233	234
Toll	41	44
PLANT IN SERVICE		
Miles of Poles	13,319	14,786
Miles of Wire (Open, Aerial, Underground)	2,314,217	2,160,449
Miles of Conduit	2,038	2,002
FINANCIAL		
Government Advances	\$ 48,700,000	\$ 55,727,027
Bonds Payable	169,579,709	149,579,709
Telephone Plant (Includes Plant Under Construction)	323,710,217	301,536,124
PER TELEPHONE	701	685
Total Revenues	67,322,287	61,617,140
Total Expenses	63,766,468	59,237,630
NET INCOME	3,555,819	2,379,510
EMPLOYEES		
Men	2,225	2,173
Women	1,980	1,995
TOTAL	4,205	4,168
TOTAL PAYROLL	\$ 31,839,860	\$ 28,972,808

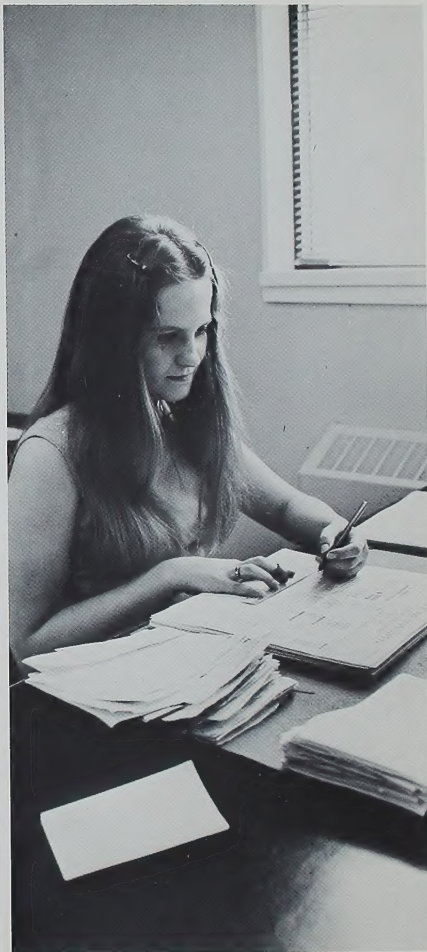
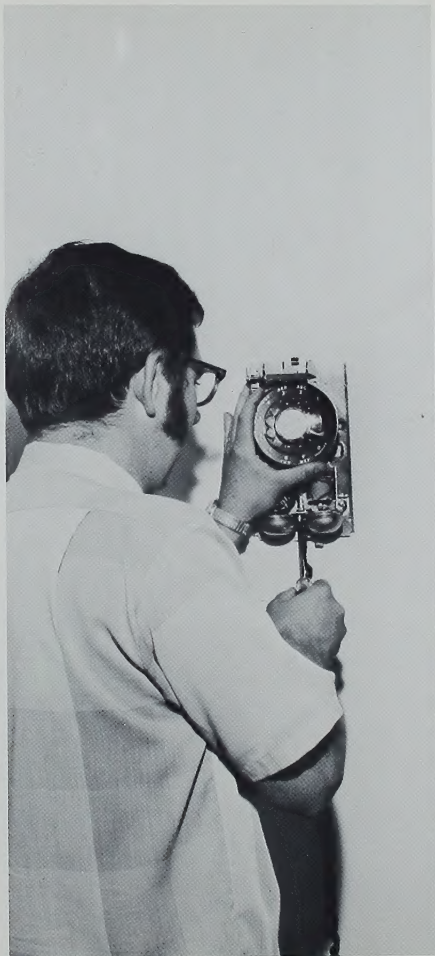
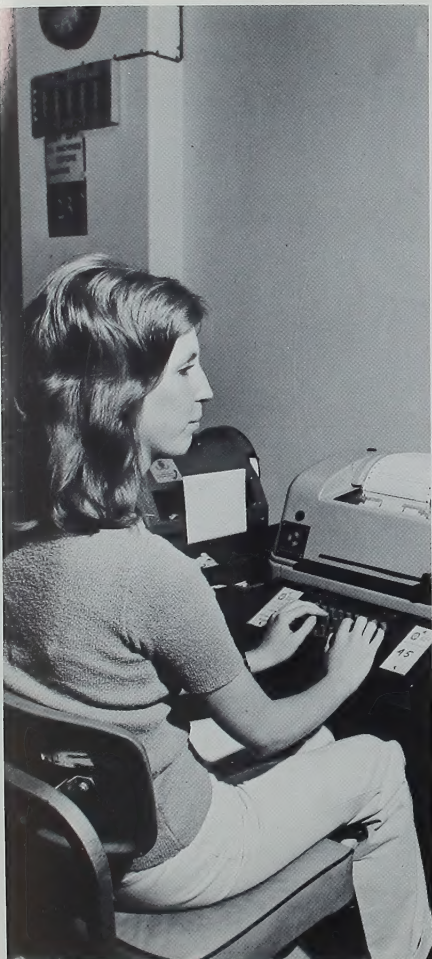
1970	1969	1968	1967	1966	1965	1964	1963
118,083	111,989	106,436	101,994	96,156	91,521	86,830	82,524
302,423	290,978	279,456	267,685	257,206	248,462	240,516	230,633
420,506	402,967	385,892	369,679	353,362	339,983	327,346	313,157
95.8	94.3	91.7	90.0	88.2	87.3	87.0	86.2
2,668	2,649	2,680	2,577	2,553	2,509	2,083	2,200
423,174	405,616	388,572	372,256	355,915	342,492	329,429	315,357
108,653	97,577	95,943	91,222	82,352	81,215	82,294	75,959
91,114	80,502	79,730	74,905	68,973	68,578	68,105	63,403
17,539	17,075	16,213	16,317	13,379	12,637	14,189	12,556
234	236	234	230	231	230	227	227
46	48	44	47	49	56	59	66
16,630	18,233	19,994	21,278	22,167	22,864	23,085	22,873
2,041,227	1,900,596	1,795,077	1,661,490	1,516,211	1,417,825	1,354,742	1,277,857
1,930	1,854	1,738	1,630	1,518	1,464	1,407	1,353
\$ 40,727,027	\$ 47,517,027	\$ 57,017,027	\$ 56,490,000	\$ 63,724,248	\$ 70,854,248	\$ 75,024,248	\$ 78,403,879
149,579,709	132,579,709	115,079,709	95,079,709	75,079,709	59,500,000	47,500,000	35,000,000
282,760,286	263,764,855	239,054,762	217,942,253	200,616,358	189,868,031	178,407,619	165,711,825
672	655	619	590	568	558	545	529
55,591,181	50,174,775	44,461,250	41,475,246	36,984,920	33,422,453	30,254,001	27,823,548
53,477,800	47,718,661	42,265,455	37,953,045	34,253,848	32,082,976	30,049,006	27,201,186
2,113,381	2,456,114	2,195,795	3,522,201	2,731,072	1,339,477	204,995	622,362
2,137	2,180	2,194	2,084	2,085	2,021	2,052	1,961
2,036	1,979	2,063	2,042	1,905	1,854	1,834	1,787
4,173	4,159	4,257	4,126	3,990	3,875	3,886	3,748
\$ 26,607,245	\$ 24,752,609	\$ 22,683,143	\$ 20,236,722	\$ 18,225,638	\$ 16,973,328	\$ 16,323,055	\$ 14,844,131



TELEPHONE FACILITIES SERVING THE NORTH

- EXISTING RADIO RELAY SYSTEMS
- - - PLANNED RADIO RELAY SYSTEMS
- x - EXISTING SINGLE CHAN. V.H.F. SYSTEMS
- x - PROPOSED SINGLE CHAN. V.H.F. SYSTEMS
- ▲ V.H.F. TOLL AGENCY
- RADIOTELEPHONE TOLL AGENTS
- ⊙ RADIOTELEPHONE BASE STATIONS
- DIAL EXCHANGES

In addition to the above there are approximately 250 radiotelephones operating in the north and 29 community-operated exchange systems.



Each day, every day, skilled hands of System employees processed 860 service orders, provided 640 telephone service changes and made 820 directory line changes.



Manitoba Telephone System, part of
Trans-Canada Telephone System